

Message Text

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E.O. 11652: N/A
TAGS : EINV, EFIN, BG
SUBJECT : BDG ANNOUNCES NATIONALIZATION COMPENSATION
PROCEDURES FOR INSURANCE COMPANIES

REF : (A) DACCA 1264; (B) DACCA 398

1. WE RECEIVED 21 MARCH FOLLOWING LETTER: BEGIN TEXT
MR. M. MATIUR, RAHMAN, SECRETARY, MINISTRY OF COMMERCE
AND FOREIGN TRADE. NO. 1(1)76-INS. 1, DATED, THE 19
MARCH 1977.

EXCELLENCY,

MAY I REFER TO YOUR DISCUSSIONS WITH THE MEMBER, PRESIDENT'S
COUNCIL OF ADVISERS, IN CHARGE OF MINISTRY OF COMMERCE
REGARDING PAYMENT OF COMPENSATION TO THE AMERICAN INSURANCE
COMPANIES. GOVERNMENT HAS ISSUED TODAY THE INSURANCE
CORPORATIONS (PAYMENT OF COMPENSATION) RULES, 1977 PRE-
SCRIBING THE MODE OF DETERMINATION OF THE AMOUNT OF COMPENS-
ATION AND PAYMENT OF THE SAME TO THE INSURER OF NATIONALISED
INSURANCE BUSINESS. A COPY OF THE RULES IS ENCLOSED HERE-
WITH FOR YOUR KIND INFORMATION.

2. THE SADHARAN BIMA CORPORATION AND THE JIBAN
BIMA CORPORATION HAVE ALREADY BEEN ADVISED TO WORK
OUT AS QUICKLY AS POSSIBLE THE AMOUNT OF COMPENSATION
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PAYABLE IN ACCORDANCE WITH THE RULES. YOU MAY LIKE TO
ADVISE THE AMERICAN INSURANCE COMPANIES TO BE IN TOUCH
WITH THE SADHARAN BIMA CORPORATION AND FURNISH
NECESSARY PARTICULARS AND DOCUMENTS SO AS TO ENABLE THE
CORPORATION TO FINALISE THE MATTER.

PLEASE ACCEPT, EXCELLENCY, THE ASSURANCES OF MY HIGHEST

CONSIDERATION. END TEXT.

3. FULL TEXT OF MINISTRY OF COMMERCE NOTIFICATION,
INSURANCE CORPORATIONS (PAYMENT OF COMPENSATION) RULES,
1977 FOLLOWS BY AIRGRAM. RELEVANT EXCERPTS INCLUDE:

(A) DETERMINATION OF COMPENSATION. EVERY INSURER
SHALL BE PAID COMPENSATION AS DETERMINED BY A CORPORATION
ON THE BASIS OF NET SURPLUS OF THE UNDERTAKINGS OF THE
INSURER AS ON THE 31ST DECEMBER, 1971;

PROVIDED THAT THE AMOUNT OF COMPENSATION SHALL NOT
EXCEED THE TOTAL PAID UP VALUE OF SHARES ISSUED BY THE
INSURER AND SUBSCRIBED.

(B) CALCULATION OF NET SURPLUS. FOR THE PURPOSE OF
CALCULATION OF NET SURPLUS THE ASSETS AND LIABILITIES OF
THE INSURER SHALL BE DETERMINED ON THE FOLLOWING PRINCIPLES
NAMELY

ASSETS:

FIXED ASSETS INCLUDING FURNITURE AND FIXTURE SHALL
BE TAKEN AT BOOK VALUE, I.E. COST MINUS DEPRECIATION
IN ACCORDANCE WITH THE NORMAL RATE SPECIFIED IN CLAUSE
(VI) OF SUB-SECTION (2) OF SECTION 10 OF THE INCOME-TAX
ACT, 1972 (XI OF 1922);

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SHARES AND DEBENTURES OF COMPANIES WHICH HAVE BEEN
NATIONALISED BY THE GOVERNMENT SHALL BE VALUED AT THE RATES
AT WHICH COMPENSATION IS PAID BY THE GOVERNMENT;

GOVERNMENT SECURITIES SHALL BE TAKEN AT FACE VALUE;
LOANS, ADVANCES AND PREMIA DUE AND ALL OTHER RECEIVABLES
SHALL BE TAKEN AT THEIR REALISABLE VALUE;

OTHER ASSETS, IF ANY, SHALL BE TAKEN AT THEIR BOOK
VALUE, AND

GOOD-WILL OF THE UNDERTAKING SHALL NOT BEAR ANY VALUE;

LIABILITES

ALL LIABILITIES TO POLICY HOLDERS INCLUDING THE OUT-
STANDING CLAIMS AS HAVE BEEN DETERMINED;

ALL LIABILITIES TO THE GOVERNMENT IN THE FORM OF TAXES, FEES OR OTHER DUES AS HAVE BEEN ASSESSED BY THE APPROPRIATE AUTHORITY.

(C) MODE OF PAYMENT - (1) ON THE DETERMINATION OF THE AMOUNT OF COMPENSATION. THE GOVERNMENT SHALL COMMUNICATE TO THE INSURERS AS TO THE AMOUNT PAYABLE TO THEM IN SUCH MANNER AS IT CONSIDERS FIT.

(2) THE COMPENSATION SHALL BE PAID IN THE FOLLOWING MANNER, NAMELY; - (A) FIFTY PERCENT OF THE AMOUNT OF COMPENSATION SHALL BE PAID IN CASH IN ONE OR MORE INSTALLMENTS; AND (B) THE BALANCE FIFTY PERCENT SHALL BE PAID IN NON-NEGOTIABLE BONDS AT FIVE PERCENT ANNUAL INTEREST REDEEMABLE IN TWO EQUAL YEARLY INSTALLMENTS COMMENCING AFTER TWO YEARS OF THE ISSUE OF THE BONDS.

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4. PLEASE ALERT THE US COMPANIES CONCERNED, AMERICAN FOREIGN INSURANCE ASSOCIATION AND AMERICAN INTERNATIONAL INDEMNITY WRITERS OF THIS ANNOUNCEMENT.

5. COMMENT: THE BDG HAS NOW ANNOUNCED NATIONALIZATION COMPENSATION PROCEDURES FOR THE LAST MAJOR CATEGORY OF US FIRMS WHOSE PROPERTIES WERE NATIONALIZED IN 1972. (HOWEVER, SUBSIDIARIES OF US FIRMS INCORPORATED OR REGISTERED IN THEN WEST PAKISTAN STILL FACE FORMIDABLE LEGAL OBSTACLES IN OBTAINING COMPENSATION FOR PROPERTY DECLARED ABANDONED AFTER INDEPENDENCE AND TAKEN OVER BY THE BDG UNDER P.O. 16 OF 1972.)
MASTERS

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